

Policy on the Provision of Non-Audit Services by the External Auditor

Approved by the Board on 4 January 2017

1. Purpose

- 1.1. To establish the policy of Nostrum Oil & Gas PLC, its subsidiaries and affiliates (together referred to as “**Nostrum**” or “the **Group**”) with respect to the types of services that may be provided by the independent accounting firm appointed to audit the financial statements of the Group or Group entities (the “**External Auditor**”).

2. Scope and Application

- 2.1. This policy is intended to assist management, the Audit Committee and the Board in carrying out their respective responsibilities to ensure that external auditor integrity, independence and objectivity is not impaired. Nothing herein shall be deemed to amend or restrict the Audit Committee Terms of Reference, to restrict the authority of the Audit Committee to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the External Auditor, to approve the remuneration and terms of engagement of the External Auditor, to oversee the work of the external auditor or to alter in any way the responsibilities of the Audit Committee, the External Auditor, the Board and management as set forth in the Audit Committee Terms of Reference or as required under applicable laws, rules or regulations as they relate to the matters covered herein.
- 2.2. This policy incorporates the requirements of: (i) the Financial Reporting Council (the “**FRC**”) Revised Ethical Standards dated June 2016 (the “**FRC Ethical Standards**”), which apply to the External Auditor and reflect the requirements of the Audit Directive¹ and the Audit Regulation² and (ii) the FRC’s Guidance on Audit Committees dated April 2016 which apply to the Audit Committee.
- 2.3. This policy shall apply to financial years beginning on or after 1 January 2017. For the avoidance of doubt, any non-audit services approved by the Audit Committee or management prior to 1 January 2017 will continue to be provided in accordance with the terms of the previous policy on the provision of non-audit services by the External Auditor adopted by the Board.

3. Principles

- 3.1. Nostrum’s approach to engaging the External Auditor for the performance of audit and other services ensures that those services:
 - 3.1.1 are approved by the Audit Committee and appropriate levels of Nostrum management (as required);
 - 3.1.2 do not impair the integrity, independence or objectivity of the External Auditor; and
 - 3.1.3 are regularly reported to the Audit Committee.
- 3.2. Any engagement of the External Auditor must satisfy applicable rules and legislation.
- 3.3. The External Auditor does not have a preferred supplier status for the provision of other services and is to be appointed only when they are best suited to undertake the work and do not have a conflict of interest due to any relationship with another Group entity.

¹ Directive 2014/56/EU

² Regulation 537/2014/EU

- 3.4. The directors of Nostrum must satisfy themselves that the services provided by the External Auditor do not compromise the External Auditor's integrity, independence or objectivity. Factors that the directors should consider include but are not limited to:
- 3.4.1 The likely relevance and impact of the non-audit services on the financial statements.
 - 3.4.2 The level of fees paid for the provision of other services as a proportion of total fees paid to the External Auditor and the basis on which the fee is calculated.
 - 3.4.3 Whether the compensation of individuals employed by the External Auditor who are performing the audit of Nostrum is tied to the provision of other services and, if so, whether this impairs or appears to impair the External Auditor's judgment, integrity, independence or objectivity.
 - 3.4.4 Whether the individuals performing the audit would also be involved in providing other non-audit services.
 - 3.4.5 Whether the audit fees are sufficient to adequately compensate the External Auditor or whether the audit fees are at a level that could increase the need for the External Auditor to perform other services to make the external audit commercially viable.
 - 3.4.6 The External Auditor's independence declaration which is required to identify whether there have been any contraventions of External Auditor independence requirements.

4. Types of services

4.1. Prohibited Services

- 4.1.1 The External Auditor must not provide services that impair, or appear to impair, their integrity, independence or objectivity as External Auditor. Services that are prohibited include those where the External Auditor:
- 4.1.1.1 participates in activities that are normally undertaken by management;
 - 4.1.1.2 is remunerated by way of success fees, contingent fees or commissions;
 - 4.1.1.3 acts in an advocacy role for Nostrum; and/or
 - 4.1.1.4 may be required to audit their own work.

A list of prohibited services are listed under paragraph A2 of Attachment 1 to this policy.

4.2. Permitted non-audit services

- 4.2.1. Audit related services constitute services that the External Auditor would normally be expected to undertake as part of their annual external audit programme for the Group and to which would, in the normal course of business, be included in their standard terms of engagement; to include the audit of the financial statements of the Group, operating and financial review and governance disclosures, the Annual Report, preliminary results announcements and any other formal announcements relating to financial performance. A list of audit related services is included under paragraph A1 of Attachment 1 to this policy.
- 4.2.2. In addition to audit related services, the services marked with an asterik in paragraph A2 of Attachment 1 to this policy may still be provided to the Group by the External Auditor subject to the Audit Committee conducting an assessment of any threats to the External Auditor's objectivity and independence. The Audit Committee will only

provide its approval if, amongst other considerations, the following conditions are met:

- 4.2.2.1 they have no direct or, in the view of an objective, reasonable and informed third party, would have an inconsequential effect, separately or in aggregate, on the audited financial statements;
- 4.2.2.1. the estimation of the effect on the financial statements is comprehensively documented and explained in the additional report to the Audit Committee;
- 4.2.2.2. is in-line with the principles of independence laid down in Section 1 of the Revised Ethical Standards; and
- 4.2.2.3. the External Auditor would not place significant reliance for the purposes of the audit on the work performed by the External Auditor in performing such services.

5. Safeguards that must be considered for permitted non-audit services.

- 5.1.1. In the context of permitted non-audit services that are not prohibited by law, the Audit Committee should apply judgement concerning the provision of such services, including assessing: threats to the integrity, independence and objectivity of the External Auditor resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the External Auditor's integrity, independence and objectivity;
- 5.1.2. the nature of the non-audit services;
- 5.1.3. whether the skills and experience of the External Auditor make it the most suitable supplier of the non-audit services;
- 5.1.4. the fees incurred, or to be incurred, for non-audit services both for individual services and in the aggregate, relative to the audit fee, including special terms and conditions; and
- 5.1.5. the criteria which govern the compensation of the individual(s) performing the audit.

6. Approval of services provided by the External Auditor

- 6.1. Nostrum protects the integrity, independence and objectivity of the External Auditor by mandating an approval process for engaging the External Auditor. The services that must not be provided by the External Auditor are defined in paragraph 4.1 above and in paragraph A2 of Attachment 1 to this policy. No approval can be given under any authority for the provision of prohibited services.
- 6.2. Certain specific types of services are considered to be audit related services or permitted non-audit services (refer to paragraph 4.2 above). **All engagements (permitted or otherwise) of the External Auditor for the provision of non-audit services are subject to the approval requirements detailed in paragraphs 6.3-6.4.**
- 6.3. Approval requirements:
 - 6.3.1. Audit Committee pre-approval is required before the External Auditor is engaged to provide any permitted non-audit services in addition to any other approvals required by the Board and management pursuant to powers delegated by the Board or Nostrum's internal approvals policies.
 - 6.3.2. The External Auditor must provide a written statement of independence for all engagements, approved by the appropriate authority within the audit firm (typically the principal engagement partner).

- 6.3.3 All non-audit service engagements must be described in a written recommendation setting out:
 - 6.3.2.1 the nature and scope of the proposed services;
 - 6.3.2.2 supplier selection process and criteria;
 - 6.3.2.3 chosen supplier and rationale as to selection of that supplier;
 - 6.3.2.4 the relationship of individuals within the firm to perform the proposed other services with those within the firm undertaking audit work;
 - 6.3.2.5 a fee estimate, identifying the total cost and the cost expected for the current financial year;
 - 6.3.2.6 the category of permitted non-audit service (where relevant).
- 6.4. When approving any permitted non-audit services, the Audit Committee and management must take into account that in accordance with the Audit Directive, for financial years beginning on or after 17 June 2016, the total fees for permitted non-audit services provided by the External Auditor will be subject to a cap of 70% of the average of the fees paid in the last three consecutive financial years (the “**Fee Cap**”). During the first three years of this policy the Fee Cap will be calculated based on the relevant annual audit fee for that particular year only. During the fourth year (and subsequent years), an averaging figure will be applied, based on average annual audit fees from the previous three-year period.

7. Other matters related to the External Auditor

- 7.1. The Group shall not hire any of the following individuals to fill a “financial reporting oversight role” (being a position where that person can influence the contents of the Group’s or its entities’ financial statements or anyone that prepares them, such as when the person is a member of the Board, or the chief executive officer (**CEO**), chief financial officer (**CFO**), chief operating officer, general counsel, chief accountant, controller, head of internal audit, treasurer, or any equivalent position for the Group or its entities) for a two year period following the completion of the annual audit of the Group or its entities:
 - 7.1.1. lead partner for the audit;
 - 7.1.2. engagement quality control reviewers and other key audit partners for the audit; or
 - 7.1.3. any other member of the audit engagement team that provides audit, review or attestation services for the Group or its entities.

This prohibition shall not prevent the Group from running recruitment advertising campaigns nor from offering employment to any of the above individuals who may respond to any such campaign.

- 7.2. The External Auditor shall maintain a list of all members of the audit engagement team that fall into the categories described above and present such a list to the Group on an annual basis.
- 7.3. The approval of the CFO is required before Nostrum extends an offer for a position to any personnel of the External Auditor, including any individuals that were formerly personnel of the External Auditor that participated in the Group’s or its entities’ audit engagement team within the previous two years. The CFO will report to the Audit Committee as to any personnel or former personnel of the External Auditor that are hired by the Group during the previous quarter. Additionally, approval of the Chairman of the Audit Committee is required before the Group may hire any partner or former partner of the External Auditor.
- 7.4. The lead audit partner, engagement quality control reviewers and other key audit partners of the External Auditor shall be rotated after five years of service and, upon rotation, are subject to a five-year “time out” period. Other audit partners of the External Auditor shall be rotated after seven years of service and, upon rotation, are subject to a two-year “time-out” period.

Audit partners shall mean partners on the audit engagement team that have responsibility for decision-making on significant auditing, accounting and reporting matters that affect the financial statements/reports or maintain regular contact with management and the Audit Committee. On an annual basis, the External Auditor will report to the Audit Committee the names and status of rotation of all audit partners subject to rotation.

8. Reporting

- 8.1. All non-audit services provided by the External Auditor must be reported every quarter to the Audit Committee by the External Auditor categorised as: audit related services, permitted non-audit services and other fees.
- 8.2. Written confirmation from the External Auditor outlining their independence policy and their compliance therewith will also be required annually and at such other times as the Audit Committee may request. This should include reassurance that the external audit engagement team members have no family, financial, employment, investment or business relationship with the Group other than in the normal course of business.
- 8.3. Details of fees paid to the External Auditor must be disclosed in the Annual Report as specified by applicable financial reporting standards and corporate governance codes.
- 8.4. The Annual Report should address the approval framework and explain how the External Auditor's integrity, objectivity and independence are safeguarded.

Attachment 1. Examples of audit related services, prohibited services and permitted non-audit services

This attachment is an integral part of the “Policy on the Provision of Non-Audit services by the External Auditor” of Nostrum Oil & Gas PLC, its subsidiaries and affiliates and provides examples of audit related services, prohibited services and permitted non-audit services.

A1. The following are examples of audit related services:

- reporting required by law or regulation to be provided by the External Auditor;
- reviews of interim financial information;
- reporting on regulatory returns;
- reporting to a regulator on client assets;
- reporting on government grants;
- reporting on internal financial controls when required by law or regulation; and
- extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.

A2. The following services are prohibited services and must not be provided by the External Auditor:

- Book-keeping and preparing accounting records and financial statements;
- payroll services;
- designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems³;
- valuation services, including valuations performed in connection with actuarial services or litigation support services*;
- legal services with respect to: (i) the provision of general counsel (ii) negotiating on behalf of the Group and (iii) acting in an advocacy role in the resolution of litigation;
- services related to the Group’s internal audit function;
- services linked to financing, capital structure and allocation and investment strategy of the Group, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the Group;
- promoting, dealing in or underwriting shares in the Group;
- human resources services, with respect to: (i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve: (A) searching for or seeking our candidates for such position or (B) undertaking reference checks of candidates for such positions;
- structuring the organisation design; and
- cost control.
- Tax services relating to: (i) preparation of tax forms* (ii) payroll tax (iii) customs duties (iv) identification of public subsidiaries and tax incentives unless support from the External

³Where a new external auditor is appointed, they shall not be permitted to perform any of these types of services during the financial year before which they begin to perform the audit. This derogation shall not apply to any other category of prohibited services.

Auditor is required by law* (v) support regarding tax inspections by tax authorities unless support from the External Auditor is required by law* (vi) calculation of direct and indirect tax and deferred tax* and (vii) provision of tax advice*;

- Any other services prohibited by rules or regulations applicable to Nostrum's financial accounting and reporting.